



United States Senate Budget Committee

JEFF SESSIONS | Ranking Member

“CBO’s stunning report shows that our fiscal outlook is markedly worse than in its previous estimate, with deficits up by \$1 trillion (to \$7.3 trillion) over the 2014–2023 period. Gross federal debt will climb past \$27 trillion in 10 years. Mandatory entitlement spending will grow nearly 80 percent during that time. And according to the report, the President’s health law will remove another 2 million workers from our already shrinking workforce.

Tax, spend, and borrow is leading us to a new normal of massive debt, slow growth, and a declining share of Americans who are employed. Such policies are hurting the poor and must be stopped; nothing the President proposes will do anything but continue these trends. We must begin an urgent national effort to transition people from welfare to employment, replacing policies that grow our debt with policies that grow our middle class.”

– BUDGET COMMITTEE RANKING MEMBER JEFF SESSIONS

SBC Staff Analysis Of CBO’s Baseline Outlook

According to the latest *Budget and Economic Outlook* of the Congressional Budget Office (CBO), the nation’s fiscal position has deteriorated over the past nine months.

CBO has increased its estimates of deficits by \$1.0 trillion—a 16 percent increase—for the 10-year period 2014–2023. CBO now projects cumulative deficits of \$7.3 trillion, up from \$6.3 trillion last year. A less sanguine economic outlook led to deficit increases of \$1.2 trillion over the 10 years, partly offset by other legislative and technical changes.

CBO reduced its projected GDP growth rates for each of the forecast years. CBO also assumes damaged labor markets will cause inflation-adjusted GDP to remain below its potential by 0.2 percentage points over the forecast period.

For 2014, CBO projects that the deficit will be \$514 billion, a reduction of \$46 billion. Most of this improvement stems from repayments by Fannie Mae and Freddie Mac of capital contributions made during the financial crisis, which are \$88 billion higher than expected. Those repayments were partly offset by the \$45 billion cost of enacted legislation (primarily the Ryan-Murray spending agreement and extension of student loan interest rates) and other mostly offsetting changes in the estimates.

For 2015, CBO now projects the deficit will be \$478 billion. Although this is slightly less than the deficit projection for 2014, it is \$100 billion, or 26 percent, higher than CBO’s last estimate. The 2015 projected deficit is larger than any realized under the eight years of the George W. Bush presidency.

After 2015, deficits begin a relentless rise, again reaching \$1 trillion in 2022. Baseline deficits total \$7.9 trillion over the 10 years that will be covered by the next budget (2015–2024). The 2024 deficit of \$1.074 trillion will be more than double the 2015 estimate of \$478 billion.

Gross federal debt, which includes amounts owed to the Social Security and Medicare trust funds, is expected to reach \$27.2 trillion by the end of the baseline projection period. Debt at that level would be slightly larger than CBO’s \$26.8 trillion estimate of gross domestic product (GDP) for that year. Gross federal debt as a share of GDP begins to climb steadily every year after 2018, while debt held by the public increases as a share of GDP every year after 2016.

Interest costs on federal debt increase every year in CBO’s baseline, increasing at an annual average rate of 14 percent (over six times the rate of inflation). Net interest expense is estimated at \$233 billion this year. By 2021, interest costs of \$694 billion will exceed the costs of national defense. Measured as a share of revenue, interest on the debt grows from less than 8 percent today to almost 18 percent 10 years from now, when interest costs reach \$880 billion.

The sharp rise in interest payments combined with the steady growth in entitlement programs will begin to crowd out annually-appropriated discretionary spending as a share of total federal spending. Discretionary outlays will decline from about one-third of total expenditures today to less than one-fourth 10 years from now in CBO’s baseline. Non-war budget authority for both defense and nondefense is projected to grow at an average annual rate of 2 percent relative to 2014 enacted levels over the next 10 years, slightly below the projected inflation rate of 2.3 percent.

Mandatory spending, largely on entitlement programs such as Social Security, Medicare, and Medicaid, will grow from \$2.1 trillion this year to \$3.7 trillion in 10 years—a total increase of 77 percent (with an annual growth rate of 5.9 percent).

Spending on the combined Social Security program (retirement plus disability) exceeds \$1 trillion in 2018. Spending on major health care programs (Medicare, Medicaid, health insurance exchange subsidies, and the Children’s Health Insurance Program) exceeds \$1 trillion in 2016. Exchange subsidies alone are expected to reach \$165 billion in 10 years, an almost tenfold increase from the \$18 billion expected to be spent on Obamacare subsidies this year.

Food stamp (SNAP) spending is expected to total \$761 billion over the next 10 years.¹ Spending for the Supplemental Security Income (SSI) program is expected to total \$634 billion over the projection period. Those estimates are largely unchanged from last year.

¹ This projection does not take into account the effects of the farm bill, which cleared Congress the afternoon after the baseline was released.